REPORT OF THE

STANDING COMMITTEE ON THE

ALBERTA HERITAGE SAVINGS TRUST FUND ACT

March 1992

LEGISLATIVE ASSEMBLY OF ALBERTA

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LEGISLATIVE ASSEMBLY
ALBERTA

March 1992

To the Honourable Dr. David J. Carter
Speaker of the Legislative Assembly
of the Province of Alberta

The Standing Committee on the Alberta Heritage Savings Trust Fund Act has the honour to submit its report relating to the 1990-91 fiscal year for consideration by the Legislative Assembly.

J. W. Ady

Jack W. Ady, M.L.A.
Chairman
Standing Committee on the
Alberta Heritage Savings Trust Fund Act

92-07453/

MEMBERS OF THE

STANDING COMMITTEE ON THE

ALBERTA HERITAGE SAVINGS TRUST FUND ACT

1991/92

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I. INTRODUCTION

This report of the Standing Committee on the Alberta Heritage Savings Trust Fund Act contains the consensus of the members of the Standing Committee. It must be noted that the democratic principle of decision making was followed throughout the Committee's proceedings and, of 47 recommendations put forward, all were voted on, and those passed are contained herein. These votes are recorded in the minutes of the Standing Committee, which are on file in the Legislature Library where they may be read by any member of the public.

As all the proceedings of the Standing Committee were and are open to the public, this report contains only a brief summary of the highlights of the Committee's meetings. All meetings were recorded by Alberta Hansard, and transcripts are available in the Legislature Library. Any person wishing more detail should refer to the transcripts, which number 282 pages in length and are organized according to subject heading. The minutes are organized in similar fashion.

II. ALBERTA HERITAGE SAVINGS TRUST FUND ACT

On May 19, 1976, the Alberta Heritage Savings Trust Fund was established by an Act of the Legislative Assembly of Alberta. The reasons for and purposes of the Heritage Fund were set out in the preamble to the Alberta Heritage Savings Trust Fund Act:

> WHEREAS substantial revenue is being received by the Government from the sale of non-renewable resources owned by the people of Alberta; and
>
> WHEREAS there is a limited supply of non-renewable resources and therefore revenue from the sale of those resources will ultimately be reduced; and
>
> WHEREAS it would be improvident to spend all that revenue as it is received; and
>
> WHEREAS the Legislature of Alberta considers it appropriate that a substantial portion of that revenue be set aside and invested for the benefit of the people of Alberta in future years:
>
> THEREFORE HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

The Act, and subsequent amendments to it, set out the sources of funds and how these funds may be invested. Five distinct investment divisions of the Heritage Fund are defined, each with different aims and investment criteria. The Act also outlines the powers of the Heritage Savings Trust Fund Investment Committee and the Provincial Treasurer to make investments under each division. The Investment Committee consists of all members of the Executive Council.

It is the responsibility of the Provincial Treasurer, as soon as practicable after the end of each fiscal year, to prepare a report summarizing the operation of the Heritage Fund during the preceding fiscal year and containing a financial statement, audited by the Auditor General, showing:

1. transfers of cash and other assets to the Heritage Fund during the preceding fiscal year,

2. payments from and income to the Heritage Fund for the preceding fiscal year, and

3. total moneys expended under Acts of the Legislature referred to in respect of investments in the Capital Projects Division of the Heritage Fund.

When the report is completed, the Provincial Treasurer makes copies available to all Members of the Legislative Assembly and to the Clerk of the Legislative Assembly. The report is then made public. The Alberta Heritage Savings Trust Fund 1990-91 Annual Report was made public on October 16, 1991.

III. ROLE OF THE STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

The Act provides for the establishment of a Standing Committee of the Legislative Assembly, called the Standing Committee on the Alberta Heritage Savings Trust Fund Act. The Standing Committee is made up of Members of the Legislative Assembly who are appointed at the commencement of each Session.

When the annual report of the Heritage Fund is made public, it is deemed to be referred to the Standing Committee for review and subsequent report to the Legislative Assembly concerning the investments of the Heritage Fund. The report may contain any recommendations of the Standing Committee concerning those investments or proposed alternative investments.

Between October 21 and November 19, 1991, the Standing Committee met with Ministers of the departments directly involved in Heritage Fund investments during the preceding fiscal year, and with the Premier, Auditor General and Alberta Heritage Foundation for Medical Research as well. The Standing Committee also met between November 26 and December 3, 1991, to discuss the recommendations it would approve. At the conclusion of these meetings this report was written, to be tabled in the Legislative Assembly as required by the Alberta Heritage Savings Trust Fund Act.

The Standing Committee has made every attempt to fulfill its duties as required by the Standing Orders of the Legislative Assembly of Alberta.

IV. AMENDMENTS TO THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

From 1976 to 1982-83, the Heritage Fund derived its funds from two sources:

1. an annual transfer of 30 percent of the Province's non-renewable resource revenues, and

2. the retention of its investment earnings.

The transfer of resource revenues requires annual authorization by the Legislature through the passage of a special appropriation Act.

In March, 1983, two significant amendments were made to the Alberta Heritage Savings Trust Fund Act. The first amendment broadened the transfer provisions to allow the proportion of non-renewable resource revenue to be specified in the annual special appropriation Act. Previously, these Acts had to provide for 30 percent of such revenues to be transferred. During the 1983 spring sittings, the Legislative Assembly passed a special Act authorizing the transfer to the Heritage Fund of 15 percent of the non-renewable resource revenue received by the Province in 1983-84.

The second amendment allocated the Heritage Fund's net investment income to the General Revenue Fund for a two-year period beginning September 1, 1982.

The Act was further amended in 1984 to continue the transfer of its net investment income.

Effective April 1, 1987, the non-renewable resource revenue transfer was suspended, as part of the Government's medium-term strategy to reduce the budgetary deficit to zero.

V. REVIEW OF INVESTMENTS, APPEARANCE OF THE PREMIER, PROVINCIAL TREASURER, SELECTED MINISTERS, THE AUDITOR GENERAL AND OTHERS

This section of the report contains a brief review of the meetings held by the Standing Committee with the Premier, Provincial Treasurer, selected Ministers, the Auditor General and representatives from the Alberta Heritage Foundation for Medical Research.

The review follows the chronological order of appearance of witnesses before the Standing Committee from October 22 to November 19, 1991.

Provincial Treasurer - October 22, 1991

The Hon. Dick Johnston, Provincial Treasurer, was the first to appear before the Committee. Accompanying the Treasurer was Mr. Allister McPherson, Deputy Provincial Treasurer.

The Provincial Treasurer is responsible for the overall administration of the Fund, as well as the day-to-day investments under the Commercial Investment Division and cash and marketable securities portfolio. The Hon. Mr. Johnston gave some opening comments regarding policy issues and changes in the overall administration of the Fund, including continued efforts of the government to privatize Heritage Fund assets. The Treasurer also made remarks on the current value of the Fund.

The Provincial Treasurer responded to questions from Committee members concerning the following areas: the reported decrease in the financial assets of the Fund; whether measures were being taken to reverse a downward trend in financial assets; estimations of the fair market value of the Fund; and why financial assets are listed at original costs rather than the current market value. He discussed whether privatized investments would be replaced with others of a similar or better quality; and whether the government intended to sell its interests in Telus, Alberta Energy Company or Syncrude by the end of the year.

Further questions related to: whether the Treasurer felt that Albertans generally understood the nature and operations of the Heritage Fund sufficiently; responsibility for assessing the effectiveness of communications with the public; the reason for the decrease in Vencap Equities Ltd.'s pretaxed income, and how this decrease would affect Vencap's ability to repay its debenture to the Heritage Fund; the total amount anticipated to be expended on the Lloydminster Bi-provincial Upgrader; funding advanced to Alberta Pacific under the subordinated debenture; and accounting principles used in recording guarantees to the Alberta Development Corporation and the Alberta Mortgage and Housing Corporation.

Other topics of discussion included: the sale of some partners' shares in Syncrude and the effect on the Heritage Fund's investment in that project; ramifications on perceptions of the Fund's value by rating agencies and other provinces; the assistance of consultants in the evaluation of Alberta's share of Syncrude sales; and whether the Provincial Treasurer had contemplated changing the Alberta Heritage Savings Trust Fund Act to include an Environmental Investment Division.

Minister of Recreation and Parks - October 22, 1991

The Hon. Stephen West, Minister of Recreation and Parks, attended the meeting with Mr. Fred Wilton, Senior Consultant of the Municipal Recreation/Tourism Areas Program and Mr. Barry Manchak of the Urban Parks Program.

The Minister opened with remarks related to the two areas receiving Heritage funds during 1990-91, the Municipal Recreation/Tourism Areas program (MRTA) and phase 2 of the Urban Parks program.

Questions relating to the MRTA program asked about: whether other programs were anticipated to replace the MRTA program upon its completion and the projection date for that completion, and the monitoring of MRTA programs operators and charging of user fees.

Inquiries dealing with the Urban Parks program discussed: the proposed allocation of program funding; the minimum population needed to qualify for program funding and whether it would be decreased to allow smaller communities to qualify; whether funding provided through the program was a duplication of funding offered elsewhere; forecasted program expenditures for the next five years; and whether the Minister felt the expenditure justified the lack of monetary return on parks investments.

Many questions were asked on the topic of Kananaskis Country, covering: allocation of funds to Kananaskis Country and the level of private sector involvement in operational expenses; whether the Minister was prepared to file the complete financial reports of the private commercial operators in Kananaskis; the status of a proposal to build a second golf course in Kananaskis Country and whether private sector interests knew such a possibility existed; whether information on parameters for administrative and financial arrangements for possible future developments were available to the private sector; the cost-sharing agreement between Kananaskis golf course operators and government; whether public input would be canvassed after the results of an environmental impact assessment into the second golf course had been completed; and whether there were long-term plans for development in Kananaskis North.

Minister and Associate Minister of Agriculture - October 23, 1991

Appearing at the meeting along with the Hon. Ernie Isley, Minister of Agriculture, and the Associate Minister, the Hon. Shirley McClellan, were: Mr. Gerhardt Hartman, Manager of the Irrigation Secretariat; Mr. Brian Colgan, Director of

Irrigation and Resource Management; Dr. Ralph Christian, Executive Director of Research; and Dr. Yilma Teklemariam, Research Manager.

Hon. Mr. Isley confined his opening statements to the mandate and the present situation of the Alberta Agricultural Development Corporation (AADC). Hon. Mrs. McClellan discussed the programs under her jurisdiction (Farming for the Future, irrigation rehabilitation and expansion, and private irrigation development assistance).

Irrigation projects were a main topic of discussion. Discussion of these projects related to: regional disparity in irrigation assistance; research into the enhancement of the environment of bird, fish and wildlife populations in irrigation ditches; whether irrigation districts were contributing to operating costs of irrigation rehabilitation projects; and adjustments on weir and outlet channels in Lesser Slave Lake to alleviate flooding problems.

Questions relating to the Agricultural Development Corporation touched on these areas: whether consideration had been given to privatizing the AADC; potential doubtful accounts owing to AADC and whether these were expected to be reduced in the future; vendor financing under the AADC; whether the Corporation had considered taking equity positions in the agribusiness arena; and AADC loan and foreclosure policies.

Farming for the Future was discussed in areas such as: whether alternative crops or processes had been investigated under the program to alleviate current difficulties suffered by farmers; product marketing schemes under the program; and technology transfers of agricultural research. Drought assistance was also discussed, on topics including strengths and weakness of the northwestern, western and southeastern disaster assistance programs, and qualifications for drought assistance funding.

Other topics of discussion included whether transportation assistance was available to farmers in the Peace River area and whether research was being conducted into lowering the cost of water metering.

Minister of Energy - October 23, 1991

The Hon. Rick Orman was joined by Mr. Norm MacMurchy, Assistant Deputy Minister, Sustainable Energy Development; Mr. Bill Yurko, Chairman and CEO of the Alberta Oil Sands Technology and Research Authority (AOSTRA); and Mr. Scott Woronuik, Executive Assistant to the Minister.

The Minister and Mr. Yurko gave opening remarks relating to AOSTRA, renewable energy research, and the Syncrude and OLSO projects.

Questions asked by Committee members discussing AOSTRA included: safety standards for the tunnelling method used at AOSTRA; the impact of the funding switch to the general revenue fund on AOSTRA's long-term planning; whether

additional funding might be required for AOSTRA to continue research; and alternatives being pursued with respect to AOSTRA's environmental maintenance mandate.

Several questions were asked about the Husky Bi-provincial Upgrader, dealing with: equity investment and long-and short-term returns on investment in the upgrader; the impact of Husky Oil's change of ownership on funding commitments to the upgrader; and factors leading to the overexpenditure on construction of the upgrader, and what was being done to ensure that this overexpenditure did not increase.

Questions dealing with the OSLO project included: anticipated total cost of the project, the likelihood of the project reaching the construction phase, and whether anything would be done by the province to replace withdrawn federal government funding.

Other questions discussed: renewable energy research in southern Alberta and future investments in renewable energy; the commercial alternative for dealing with waste energy and heat at Syncrude; whether bitumen and gas pilot projects paid royalties; revenue generated from the sale of technology; the cost of producing a barrel of oil to its commercial state; and the rate of progress on Syncrude project expansion.

Premier - October 24, 1991

Attending with the Hon. Don Getty, Premier, were Mr. Barry Mellon, Deputy Minister, Executive Council, and Ms. Dusty Vida, Research Officer, Office of the Premier.

The Premier was asked to respond to enquiries on several energy issues, in areas including: the role of the Alberta Government in holding common shares in Nova Corporation; the implications of cost sharing on the OSLO project; additional funding to the Husky Bi-provincial Upgrader; and pipeline project expansions proposed to carry Alberta resources to other parts of North America.

Questions on investments from the Heritage Fund touched on: details and conditions of $275 million subordinated debenture loan to the Alberta Pacific project; whether emphasis was being placed on investments yielding a monetary return; whether the Premier saw merit in establishing an independent committee which could periodically be called upon to provide investment strategy advice; the presence of marketable securities in the Fund's investment strategy; whether the Fund should be diversified beyond Alberta; the establishment of an environmental investment division; the effect liquidation of the Fund would have on Albertans; and the effects of privatization of Heritage Fund investments.

Other points of discussion included: whether consideration was being given to reorganizing the Fund's current structure; whether organizational policies of the Alaska Permanent Fund would be adapted to the Heritage Fund; and the advantages of conducting independent assessments of each deemed asset to estimate its benefit to Albertans.

Auditor General - October 24, 1991

The Auditor General, Mr. Donald Salmon, was accompanied by Mr. Jim Hug, Deputy Auditor General, and Mr. Ken Hoffman, Senior Director of Audits.

Mr. Salmon answered questions from Committee members on the recording of the Fund's value, including: the practice of including deemed assets and deemed equities in Heritage Fund financial statements; the possibility of recording actual fair market value of assets in financial statements; the recording of net gains and losses experienced in disposal of assets, and how these fit into generally accepted accounting principles pertaining to public sector accounting.

The Auditor General discussed items relating to Heritage Fund investments, such as: details of the subordinated debenture to the Alberta Pacific pulp mill and the stage of Syncrude project debentures. He also answered questions on the proportion of investments in marketable securities to investments in other divisions, and the implications of the restructuring of the Alberta Mortgage and Housing Corporation.

Finally, other topics of discussion included: whether a value-for-money audit could be done on the Fund and the effects of such an audit, and whether a systems analysis audit would be broad enough to suggest other methods of operating the Fund.

Minister of Public Works, Supply and Services - October 29, 1991

The Hon. Ken Kowalski, Minister of Public Works, Supply and Services attended the meeting along with Mr. Ed McLellan, Deputy Minister, and Mr. Ray Reshke, Assistant Deputy Minister, Finance and Administration.

Hon. Mr. Kowalski gave brief opening remarks on Heritage Fund expenditures under his jurisdiction, and noted that this would probably be his last appearance before the Committee, as funding to Heritage Fund-related projects would cease after this year.

Mr. Kowalski responded to questions on the following topics: the 1975 land acquisition and park development agreement between the City of Edmonton and the Province of Alberta; funding for the Capital City Park extension; whether funding for a magnetic resonance imaging facility would come from the Fund; and the possibility of Heritage funds being used to build a future children's hospital, or in the renovation or dismantling of the federal building in Edmonton or the provincial building in Edson. Finally, a question was asked on the possibility of a helicopter landing pad being built in conjunction with the Walter C. Mackenzie Health Sciences Centre.

Minister of Environment - October 29, 1991

Hon. Ralph Klein, Minister of Environment, was joined by Mr. Bill Simon, Assistant Deputy Minister, Financial Services, and Mr. Jake Thiessen, Director of Development and Operations, Water Resources.

Mr. Klein made reference in his opening remarks to two programs under his jurisdiction which utilized Heritage Funding - land reclamation and irrigation headworks and main irrigation systems improvement.

Questions asked of the Minister referring to land reclamation dealt with subjects including: repayment for cleanup of orphan sites; research projects under the land reclamation program; the definition of environmentally-safe reclamation sites; the location of approximately 500 identified reclamation and project sites; and the disposal of unexpended funds in land reclamation budgets.

Irrigation headworks and main irrigation systems improvement also saw much discussion: whether consideration had been given to shifting responsibility for the program to the department of Public Works, Supply and Services; research into the effects of global warming and the implications on irrigation needs, and the agriculture and energy sectors; and water resource management in northern Alberta.

Other discussion focused on: whether consideration should be given to using Heritage funding towards a metropolitan Edmonton waste management facility; whether consideration would be given to using the capital projects division to investigate individual sewage treatment systems; the creation of a separate environmental investment division under the Fund; and the use of Heritage funds for educational material and promotion of environmental issues.

Minister of Economic Development and Trade - October 31, 1991

Attending the meeting with the Hon. Peter Elzinga, Minister of Economic Development and Trade were Mr. Al MacDonald, Deputy Minister; Mr. Roy Parker, President and CEO of the Alberta Opportunity Company (AOC); Mr. Terry Eliuk, Director, Finance and Administration; and Mr. Laurie Pushor, Executive Assistant to the Minister.

Following his opening statements, Hon. Mr. Elzinga responded to several broad issues related to Heritage funding, including: the market value of Heritage-funded assets falling under the Economic Development and Trade portfolio; coordination of the approach to development by government lending bodies across Canada, and the development of a data base for communication amongst them; and policy considerations involved in equity and debt financing.

Questions relating to the Alberta Opportunity Company discussed: whether consideration had been given to privatizing AOC; the policies of the AOC venture capital division; average size of AOC loans; seed funding activity; and the success record of the AOC loan portfolio.

The Minister answered questions on the portion of funds used to promote environmentally-sound technology at the Millar Western pulp mill in Whitecourt, and on the terms of repayment on investment in the Millar Western project.

Vencap Equities Ltd. was also discussed, with topics including: financial and economic return on Vencap investment, and whether a portion of the loan to Vencap could be called in at any time.

Minister of Municipal Affairs - October 31, 1991

Hon. Ray Speaker, Minister of Municipal Affairs, attended with Mr. Archie Grover, Deputy Minister; Mr. Stephen Kent, President, Alberta Mortgage and Housing Corporation; Mr. Bob Leitch, Assistant Deputy Minister, Finance and Administration; Mr. Terry Fikowski, Assistant Deputy Minister, Housing (North); Mr. Bill Mann, Assistant Deputy Minister, Housing, (South); and Ms. Donna Mastel, Executive Assistant to the Minister.

Hon. Mr. Speaker made opening statements related to the restructuring of Alberta Mortgage and Housing Corporation (AMHC), the disposal of AMHC assets and mortgages, the creation of Mortgage Properties Inc., and the Department's responses to the social housing needs of Albertans.

The Minister answered several questions on the AMHC restructuring, dealing with: the handling of AMHC's unfunded deficit; AMHC's losses on the land banking program; the time frame and anticipated losses in divesting AMHC of its mortgages; strengths and weaknesses of AMHC's social housing portfolio since its reorganization; the reason for the sale of prime lands by the AMHC in Canmore; and the relationship between the federal government, AMHC and the native community in the delivery of native housing programs.

Several questions were asked pertaining to housing for seniors, natives and special needs applicants, including: projected future needs for seniors and special needs housing; assurance of equitable delivery of native housing to all parts of the province; responsibility for operational deficits of seniors' lodges; the possibility of a review of rates charged for seniors' lodges; whether there had been an increase in applications for special needs housing; and the possibility and cost of regeneration of seniors' lodges.

Other points discussed included: the absence of financial statements on mortgage property investments; annual operating subsidies of non-profit agencies under a cost-sharing agreement between the province and the federal government; criteria and limits for loans from the Alberta Municipal Financing Corporation; Mortgage Properties Inc.'s foreclosure guidelines; shared responsibility for low-income housing construction; the restructuring of income guidelines to allow young working families to acquire housing; reinstatement of the reserve housing program; and settlement negotiations in cases of foreclosures.

Minister of Technology, Research and Telecommunications - November 6, 1991

Accompanying the Hon. Fred Stewart, Minister of Technology, Research and Telecommunications, were Mr. Ken Broadfoot, Deputy Minister; Mr. Ken Murricane, Assistant Deputy Minister; and Mrs. Pauline Ma, Director of Finance and Budget Administration.

Hon. Mr. Stewart gave an overview of the status of the following Heritage-funded projects: Alberta Heritage Foundation for Medical Research, Individual Line Service, Electronics Test Centre (ETC), and the Alberta Microelectric Centre (AMC).

Several questions were asked relating to: the Alberta Microelectronic Centre, related to the relationship of AMC to universities and private industry; the shift in AMC's policy emphasis to include research technology transfer; and income related to AMC's contract work.

Questions dealing with individual line service discussed: whether users of the individual line service would have to pay the goods and services tax on services installed after January 1, 1991; the recovery to the Heritage Fund of individual line service costs; and the present user cost for individual line service.

Other questions dealt with: whether 1990 NovaTel financial statements were available to the public; the relationship of installation of fibre-optic lines to rural economic development; the deficit operating position of the ETC; the rate increase requested by Alberta Government Telephones to the CRTC, the public authority regulating telecommunications in Alberta; the upgrading of cellular communications sites around the province; access of rural communities to telecommunications hookups; and whether taxes were withheld on dividends paid by Telus.

Minister of Health - November 6, 1991

Joining the Hon. Nancy Betkowski, Minister of Health, was Deputy Minister Rheal LeBlanc. Hon. Mrs. Betkowski made some brief comments to the Committee related to cancer research, the only project to receive Heritage funding in 1990-91.

The Minister responded to several questions on cancer research, pertaining to: whether Heritage funds would be used for further development and space for cancer-related treatments at the Walter C. Mackenzie Health Sciences Centre; coordination of Alberta Cancer Board funding and government funding for programs; the system used to screen applied cancer research project applications; and whether research has been considered exploring the link between substance abuse and cancer, and into the link between workplace hazards and cancer.

Questions regarding outreach and distance treatment programs were also asked, relating to: the suspension of the mobile therapy program for children; the mobile breast cancer screening program schedule for rural Alberta; and accommodations for rural cancer patients travelling to Edmonton and Calgary for cancer tests or treatments.

Other questions asked to the Minister involved: the impact of Heritage Funds on federal government health care payments; policies related to patient referrals for treatment outside Alberta; and whether Heritage funds could be used to enhance the numbers of extended care beds available to seniors around Alberta.

Alberta Heritage Foundation for Medical Research - November 7, 1991

Attending on behalf of the Alberta Heritage Foundation for Medical Research were Mr. Alvin Libin, Chairman, and Dr. Matthew Spence, President. Mr. Libin opened with a slide presentation on current activities of the Foundation, and made some opening statements on the accomplishments of the Foundation in research, patient care, education, and the Foundation's process for developing future directions.

Mr. Libin answered questions relating to the focus and future direction of the Foundation, including: whether the Foundation should concentrate solely on clinical research; whether the Foundation was involved in research exploring the impact of the workplace on employees; plans for research into health care system effectiveness; the possibility of the Foundation helping with formulation of medical ethical policy; specifics related to future budget balancing of the Foundation; and whether consideration had been given to funding for students prepared to serve remote communities for a set time upon graduation.

Some questions asked dealt with: interaction of the Foundation with other agencies, and included whether the Foundation could designate funds to other agencies to control the overlap of research and promotion efforts; whether there could be a need for a research management program at an Alberta university; and specifics related to technology transfer and protection of the Foundation's interests.

Additional questions asked were related to: returns on investments in companies instituting research; whether public sector funding initiatives were being examined to enhance the Foundation's endowment; and alternatives for generating revenue into the endowment fund.

Minister of Forestry, Lands and Wildlife - November 7, 1991

Hon. LeRoy Fjordbotten, Minister of Forestry, Lands and Wildlife, opened with comments related to programs utilizing Heritage funds under his jurisdiction (grazing reserve enhancement, Pine Ridge Forest Nursery, Maintaining Our Forests).

Questions related to the Pine Ridge Forest Nursery involved: policies related to the resale of seedlings from the nursery; possible future privatization of the nursery; contracting of commercial ventures; the number of seedlings provided to the Alberta Pacific pulp mill project; whether present facilities were enough to meet future seedling demand; and expansion of the seedling supply for public education and conservation purposes.

Other questions involved: whether brushing of pastures was contracted out to the private sector; whether the use of herbicides in fighting the undergrowth of

deciduous forests would be eliminated; the ongoing method of determining the effect of forest operations and reforestation on animal populations from generation to generation; private sector incentives and involvement in reforestation; and demand on grazing reserves.

Minister of Occupational Health and Safety - November 19, 1991

The Hon. Peter Trynchy, Minister of Occupational Health and Safety, attended the meeting joined by Dr. Lynn Hewitt, Director, Planning and Research; Mr. Don Cummings, consultant from Ernst and Young; and, on behalf of the Occupational Health and Safety Heritage Grant Program, managing director Dr. Hugh Walker, administrator Ms. Hilary Lynas and chairman, Mr. Tom Whiting.

The Minister opened with comments on the progress and successes of the Occupational Health and Safety Heritage Grant Program over the past decade, and outlined the recommendations made in Ernst and Young's report on a ten-year review of the program.

Several questions asked by members of the Committee dealt with research done by the Occupational Health and Safety Heritage Grant Program, dealing with areas such as: research into underground coal mining industry safety programs; the responsibility for study into problems with drugs and alcohol in the workplace; and what was being done to prevent duplication of research done in substance abuse programs.

Other research-based questions asked about the following: whether research had been coordinated with the Heritage Grant Program and the Alberta Oil Sands Technology and Research Authority on safety in oil, gas and sand mining; whether any studies existed on possible links between high cancer rates in areas with close proximity to high-voltage power lines; and the development of fire-retardant clothing.

Other questions asked by Committee members dealt with: responsibility for safety in dangerous goods transportation; whether programs existed dealing with the preventive side of farm safety for children; concerns regarding improper containment or other hazards related to pesticides; whether a determination had been made to continue the Heritage Grant Program for a set period of time; and whether consideration had been given to shared funding responsibility between the Department of Occupational Health and Safety and the Heritage Grant Program.

Minister of Advanced Education - November 19, 1991

This meeting was attended by Hon. John Gogo, Minister of Advanced Education, and Mrs. Lynn Duncan, Deputy Minister. Hon. Mr. Gogo opened with a brief statement outlining the administration and expenditures of the Alberta Heritage Scholarship Fund.

The Minister and Deputy Minister responded to questions on policy and direction of the Heritage Scholarship Fund, including questions related to: an update of progress of consultant's ten-year review of the Fund, and whether any public input would be invited; grants to enhance university libraries, and whether universities were closing down extension libraries; and the criteria and number of non-Albertan students receiving scholarships.

Alexander Rutherford scholarships were dealt with in questions from Committee members pertaining to: the time period for funds received under Rutherford scholarships; the criteria for qualification for scholarships; the geographic distribution of scholarship recipients; and anticipated changes to curriculum and programs which could possibly alter the number of Rutherford scholarships awarded.

Other inquiries by Committee members asked about: a projection of the number of students qualifying for scholarships in the next ten years, and what funds would be needed to finance the resulting scholarship needs; and whether an expansion of the clinical sciences building would deplete funds for scholarships.

VI. RECOMMENDATIONS OF THE STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND

A most important function of the Standing Committee is the formulation of recommendations concerning the investment of Alberta Heritage Savings Trust Fund money. Several meetings centered on this responsibility.

Proposals for recommendations were submitted by individual Standing Committee members for consideration by the Standing Committee as a whole. The proposals were moved, debated and voted on. Forty-eight were moved and, after careful consideration and deliberation, the Standing Committee approved the following 13 recommendations for inclusion in this report. The Hansard transcript of the Standing Committee's proceedings on December 10, 1991 contains the recommendations brought forward and the Chairman's determination of the vote with respect to each recommendation.

RECOMMENDATIONS

The Standing Committee on the Alberta Heritage Savings Trust Fund Act recommends as follows:

1. THAT consideration be given to developing a plan to return to the Alberta Heritage Savings Trust Fund a significant portion of the funds currently invested in Vencap Equities Limited.

2. THAT, in future years, the Fund's interest revenue remain in the Alberta Heritage Savings Trust Fund to sufficiently offset expenditures in the Capital Projects Division.

3. THAT the underlying principles and structure of the Alberta Heritage Savings Trust Fund be comprehensively reviewed by a task force comprising government and opposition MLAs and government officials, assisted by academic and investment community leaders with relevant expertise and experience, and that their review procedures provide for public discussion.

4. THAT consideration be given to periodically scheduling meetings of the Standing Committee on the Alberta Heritage Savings Trust Fund Act at suitable locations throughout the province.

5. THAT the procedures and materials used in conveying information on the Fund to the public be reviewed, and that consideration be given to developing an explanatory guidebook and instructional materials, in order to better inform the public.

6. THAT the supporting schedules of the Alberta Heritage Savings Trust Fund Annual Report be amended by providing a schedule of "deemed assets" showing a comparison of "book value" and "current market value."

   In situations where a definitive market value is not apparent, as in the case of a Foundation and/or endowment, the current value of the Foundation and/or endowment would be reflected in the schedules within the report.

7. a) THAT the Provincial Treasurer undertake to provide the Standing Committee on the Alberta Heritage Savings Trust Fund Act with the annual report of the Trust Fund five working days prior to the commencement of the Committee hearings; and further

   b) THAT the appropriate Ministers give consideration to providing annual reports of companies and entities whose association is directly related to the Fund five working days prior to the appearance of the Minister responsible for the company or entity. In the situation where the annual report is not yet available, the appropriate minister should give consideration to providing the Committee with an interim financial report five working days prior to the appearance of the Minister responsible for the company or entity.

8. THAT the Alberta government consider developing a strategy for the early repayment of the Alberta Heritage Savings Trust Fund loan to Vencap Equities Alberta Ltd.

9. THAT the Alberta Heritage Foundation for Medical Research be requested to conduct systematic, ongoing research into the Alberta health care system, with the objective of enhancing the system's effectiveness and efficiency.

10. THAT a review of the performance and mandate of Vencap Equities Ltd. be undertaken.

11. THAT a new division be created under the Alberta Heritage Savings Trust Fund, the "Environmental Investment Division," and that investments from this division be considered for projects that will provide short and long-term benefits to Albertans, through the enhancement of our environment and through reduction of pollution.

12. THAT the Occupational Health and Safety Heritage Grant Program coordinate with AADAC and the Alberta Family Life and Substance Abuse Foundation research into the use of alcohol and drugs in the workplace.

13. THAT the Alberta Heritage Foundation for Medical Research consider a program of research into Sudden Infant Death Syndrome.

VII. PROVINCIAL TREASURER'S RESPONSES TO THE RECOMMENDATIONS OF THE STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT, 1991-1992

1. **THAT consideration be given to developing a plan to return to the Alberta Heritage Savings Trust Fund a significant portion of the funds currently invested in Vencap Equities Limited.**

   The province is presently reviewing options with Vencap which may reduce the Alberta Heritage Savings Trust Fund's investment in Vencap Equities Alberta Limited.

2. **THAT, in future years, the Fund's interest revenue remain in the Alberta Heritage Savings Trust Fund to sufficiently offset expenditures in the Capital Projects Division.**

   The Legislature has limited the amount of commitments that the province can make under the Capital Projects Division to 25 percent of the Fund's assets. Annual Capital Projects Division expenditures are approximately one percent of Alberta Heritage Savings Trust Fund financial assets. A decision to fund new Capital Projects Division projects is made only after careful consideration and review. This recommendation will be considered in the context of annual budget discussions.

3. **THAT the underlying principles and structure of the Alberta Heritage Savings Trust Fund be comprehensively reviewed by a task force comprising government and opposition MLAs and government officials, assisted by academic and investment community leaders with relevant expertise and experience, and that their review procedures provide for public discussion.**

   The province agrees that it is timely to review the underlying principles and structure of the Heritage Fund. However, the province is currently undertaking a comprehensive review to set objectives and directions for the future and to develop a new economic strategy for the province under its "Toward 2000 Together" initiative, including the role of the Heritage Fund. Once the findings of this initiative are determined, the province will consider undertaking a further review.

4. **THAT consideration be given to periodically scheduling meetings of the Standing Committee on the Alberta Heritage Savings Trust Fund Act at suitable locations throughout the province.**

   Select Standing Committee members decide on the timing and location of its meetings, within its budget constraints.

5. **THAT the procedures and materials used in conveying information on the Fund to the public be reviewed, and that consideration be given to developing an explanatory guidebook and instructional materials, in order to better inform the public.**

Currently, information is conveyed to the public through the Alberta Heritage Savings Trust Fund Annual Report and Quarterly Reports and through the Budget Address. Subject to cost considerations, additional explanatory and instructional material will be developed.

6. **THAT the supporting schedules of the Alberta Heritage Savings Trust Fund Annual Report be amended by providing a schedule of "deemed assets" showing a comparison of "book value" and "current market value."**

In situations where a definitive market value is not apparent, as in the case of a Foundation and/or endowment, the current value of the Foundation and/or endowment would be reflected in the schedules within the report.

Where practical, market values for deemed assets will be included in the Annual Report. However, for many of the deemed assets, for example, medical facilities, a market value cannot easily be determined. Where information is available and is relevant with respect to market values, it is usually contained in the Annual Report. For example, on pages 11 and 19 of the 1990-91 Annual Report, reference was made to the market and book values of TELUS common shares and the Commercial Investment Division, respectively. Also, the market values of the assets held by the Cash and Marketable Securities portfolio and the Commercial Investment Division are included in the financial statements on pages 48 and 53.

7. a) **THAT the Provincial Treasurer undertake to provide the Standing Committee on the Alberta Heritage Savings Trust Fund Act with the annual report of the Trust Fund five working days prior to the commencement of the Committee hearings; and further**

b) **THAT the appropriate Ministers give consideration to providing annual reports of companies and entities whose association is directly related to the Fund five working days prior to the appearance of the Minister responsible for the company or entity. In the situation where the annual report is not yet available, the appropriate minister should give consideration to providing the Committee with an interim financial report five working days prior to the appearance of the Minister responsible for the company or entity.**

The Provincial Treasurer and the appropriate ministers will endeavour to meet this request to provide Annual Reports on the Heritage Fund and on corporations or entities associated with the Fund at least five working days prior to their appearance before the Standing Committee.

8. **THAT the Alberta government consider developing a strategy for the early repayment of the Alberta Heritage Savings Trust Fund loan to Vencap Equities Alberta Ltd.**

As noted in response to Recommendation #1, the province is reviewing options with Vencap which may reduce the Alberta Heritage Savings Trust Fund's investment in Vencap Equities Alberta Limited.

9. **THAT the Alberta Heritage Foundation for Medical Research be requested to conduct systematic, ongoing research into the Alberta health care system, with the objective of enhancing the system's effectiveness and efficiency.**

The primary mandate for ensuring the efficiency and effectiveness of the health care system will continue to be the responsibility of the Department of Health. In the government's response to the recommendations of the Rainbow Report, the Honourable Nancy Betkowski noted that the Health Services Innovation Fund was established in 1991-92, in part, to provide for the type of research being recommended.

The Alberta Heritage Foundation for Medical Research will retain its leadership in biomedical research and will be a partner in health services research. While the Foundation would be prepared to evaluate proposals in this area, none have been submitted.

10. **THAT a review of the performance and mandate of Vencap Equities Ltd. be undertaken.**

As noted in response to Recommendation #1, the province is reviewing options with Vencap which may reduce the Alberta Heritage Savings Trust Fund's investment in Vencap Equities Alberta Limited.

11. **THAT a new division be created under the Alberta Heritage Savings Trust Fund, the "Environmental Investment Division," and that investments from this division be considered for projects that will provide short and long-term benefits to Albertans, through the enhancement of our environment and through reduction of pollution.**

Investments aimed at enhancing our environment or at reducing pollution can be made under the Capital Projects Division. Environmental investments which yield a reasonable financial rate of return, and which would strengthen or diversify the Alberta economy, could be made from the Alberta Investment Division. Therefore, a separate division for this purpose is not necessary.

12. **THAT the Occupational Health and Safety Heritage Grant Program coordinate with AADAC and the Alberta Family Life and Substance Abuse Foundation research into the use of alcohol and drugs in the workplace.**

The Occupational Health and Safety Research and Education Project provided funding to the Alberta Alcohol and Drug Abuse Commission (AADAC) in January, 1991 to oversee a major study of drug and alcohol use in the workplace. This research was recently completed by a private consulting firm and the results were released February 11, 1992. Occupational Health and Safety is working with AADAC and the Foundation to publicize the research findings and will use them to assist industry in developing programs to address drug and alcohol problems in the workplace.

13. **THAT the Alberta Heritage Foundation for Medical Research consider a program of research into Sudden Infant Death Syndrome.**

The Alberta Heritage Foundation for Medical Research is currently sponsoring one research project related to Sudden Infant Death Syndrome and would be prepared to consider further proposals.

VIII. SCHEDULE OF STANDING COMMITTEE MEETINGS, 1991-92

Meeting Date	Appearance/Topic
October 21, 1991	Organizational Meeting
October 22, 1991	Hon. Mr. Johnston Provincial Treasurer
October 22, 1991	Hon. Dr. West Recreation and Parks
October 23, 1991	Hon. Mr. Isley/Hon. Mrs. McClellan Agriculture
October 23, 1991	Hon. Mr. Orman Energy
October 24, 1991	Hon. Mr. Getty Premier
October 24, 1991	Mr. D. D. Salmon Auditor General
October 29, 1991	Hon. Mr. Kowalski Public Works, Supply and Services
October 29, 1991	Hon. Mr. Klein Environment
October 31, 1991	Hon. Mr. Elzinga Economic Development and Trade
October 31, 1991	Hon. Mr. Speaker Municipal Affairs
November 6, 1991	Hon. Mr. Stewart Technology, Research and Telecommunications
November 6, 1991	Hon. Ms. Betkowski Health
November 7, 1991	Alberta Heritage Foundation for Medical Research

November 7, 1991	Hon. Mr. Fjordbotten Forestry, Lands and Wildlife
November 19, 1991	Hon. Peter Trynchy Occupational Health and Safety
November 19, 1991	Hon. Mr. Gogo Advanced Education
November 26, 1991	Discussion of Recommendations
November 27, 1991	Discussion of Recommendations
November 28, 1991	Discussion of Recommendations
December 3, 1991	Discussion of Recommendations
December 10, 1991	Voting on Recommendations
March 18, 1992	Approval of Committee Report

APPENDIX I

Asset Level of the Alberta Heritage Savings Trust Fund 1976-77 to 1990-91

Fiscal Year	Assets ($ billion)
1976-77	$ 2.218
1977-78	$ 3.374
1978-79	$ 4.705
1979-80	$ 6.419
1980-81	$ 8.579
1981-82	$11.009
1982-83	$13.002
1983-84	$13.711
1984-85	$14.436
1985-86	$15.118
1986-87	$15.375
1987-88	$15.320
1988-89	$15.325
1989-90	$15.334
1990-91	$15.325 (as of 09/30/91)